

# Financial Turmoil: Impacts of enrollment shifts and learning loss on district finances

Jan. 19, 2021

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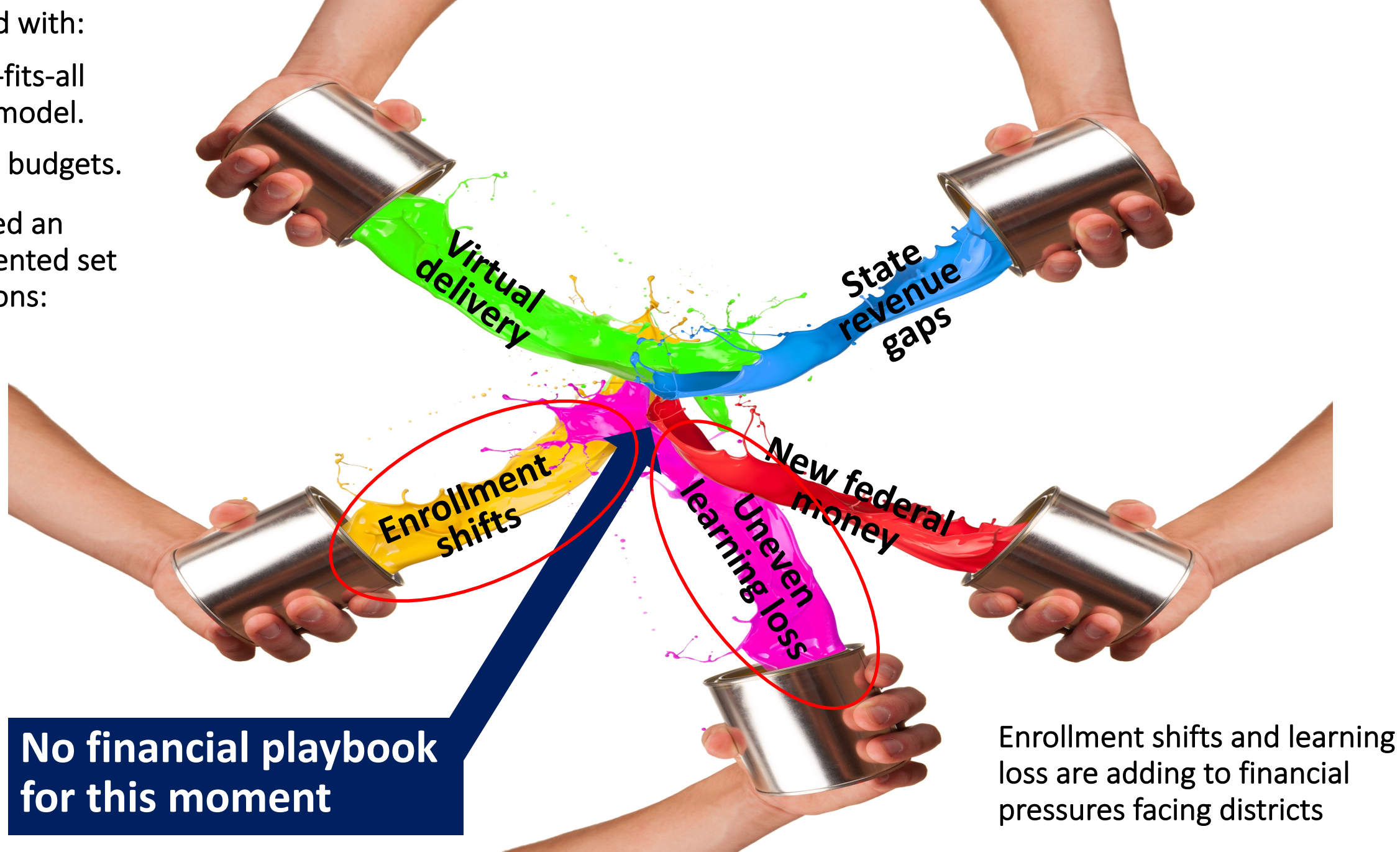
Slides available at [edunomicslab.org](http://edunomicslab.org)



We started with:

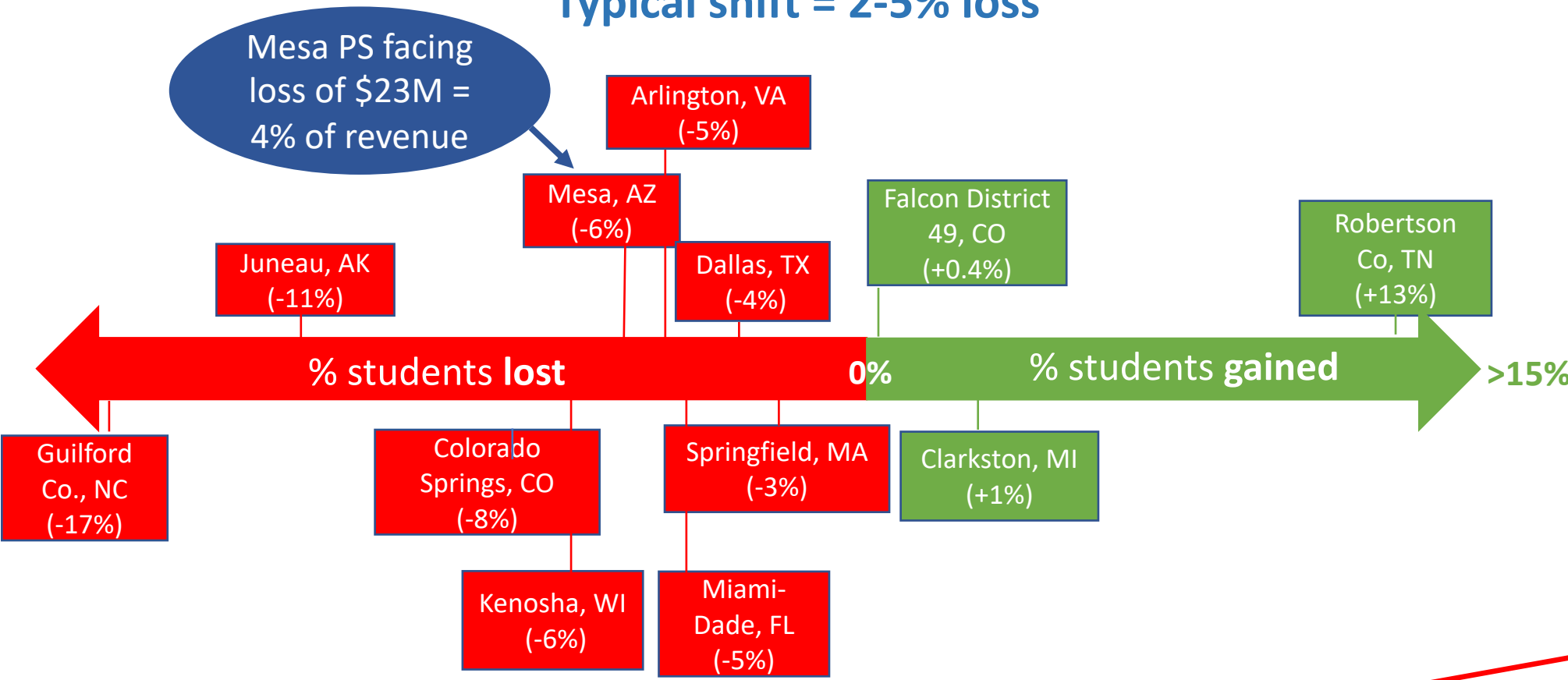
- One-size-fits-all delivery model.
- Inflexible budgets.

Then added an unprecedented set of conditions:



# Schools are experiencing unprecedented enrollment shifts:

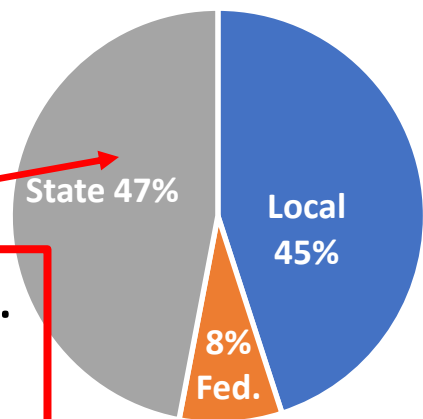
Typical shift = 2-5% loss



Mesa PS facing loss of \$23M = 4% of revenue

- Some schools are experiencing even larger gains:
- Durango, CO (+25%)
  - Florida Virtual School (+54%)
  - Byers 32J, CO (+103%)
  - Lighthouse Connections Academy, MI (+263%)

Declines in enrollment generally lead to a reduction in the state share of dollars. Historically, even a 1% loss in enrollment is financially destabilizing for districts.





Some states already had policies to smooth funding amidst enrollment shifts

ID: Protect districts from losses  $> 3\%$  in a year

WI: Multi-year average

VA: No policy

CO: Multi-year average

KS: Choose this year's or last year's enrollment

CA: Full-year hold harmless

NC: Full-year hold harmless

AK: Enrollment loss funded over 3 years at 75%, to 50% to 25%

TX: Granted a 12-week hold harmless with 6-week extension

Some have (or are considering) new policies to protect districts from losing state funds

Note that this display includes only selected examples.





# Additional considerations for states re hold harmless provisions:

1. Hold harmless policies come with a price tag – that's money that can't be spent elsewhere

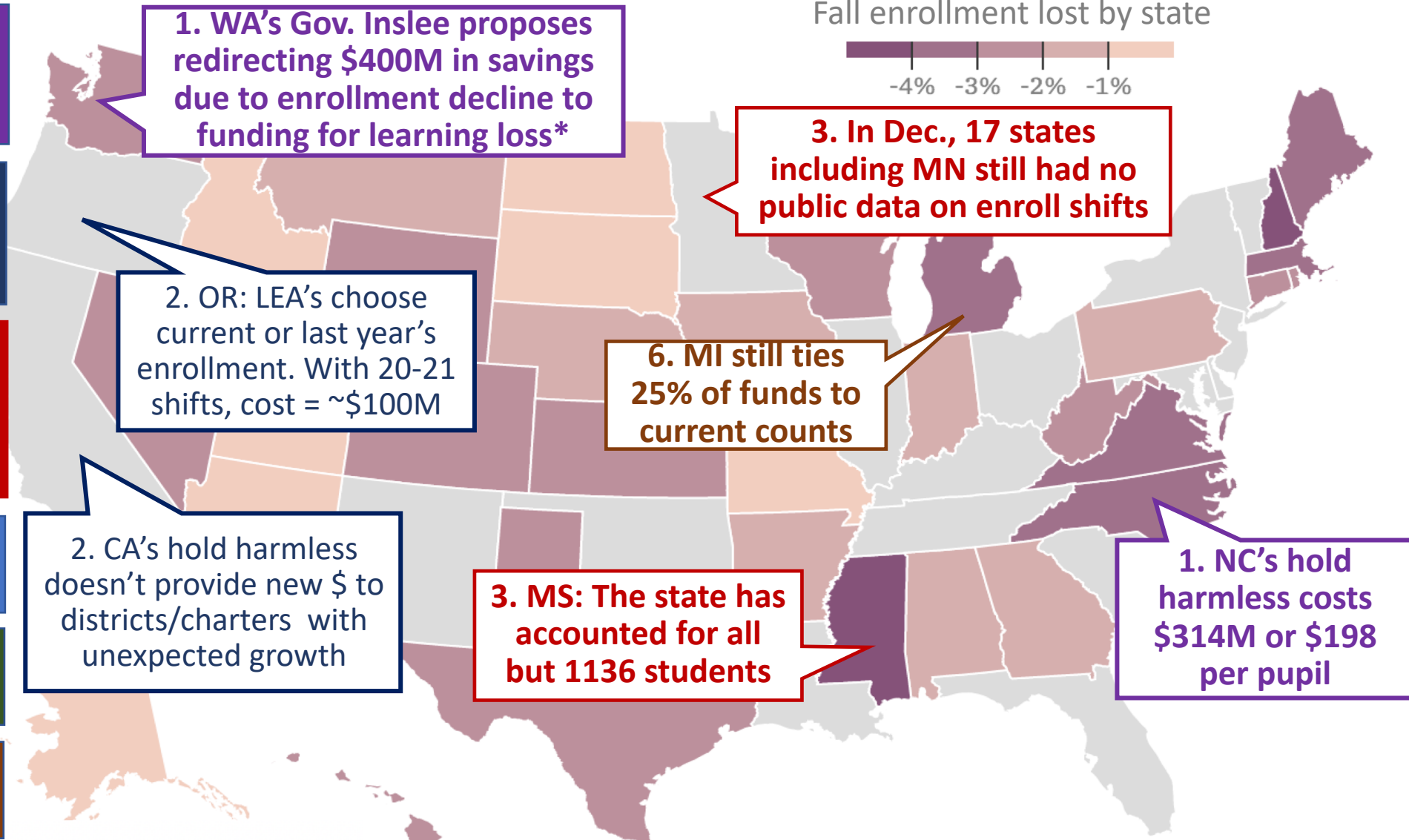
2. Will those with growing enrollments receive funding for their newer students?

3. Can data tell us the # of students likely to return (e.g. redshirted students vs those now enrolled elsewhere)?

4. What happens when the policy ends? (Fiscal cliff?)

5. Will the policy exacerbate or alleviate inequities?

6. Does it alter incentives for districts to serve students?



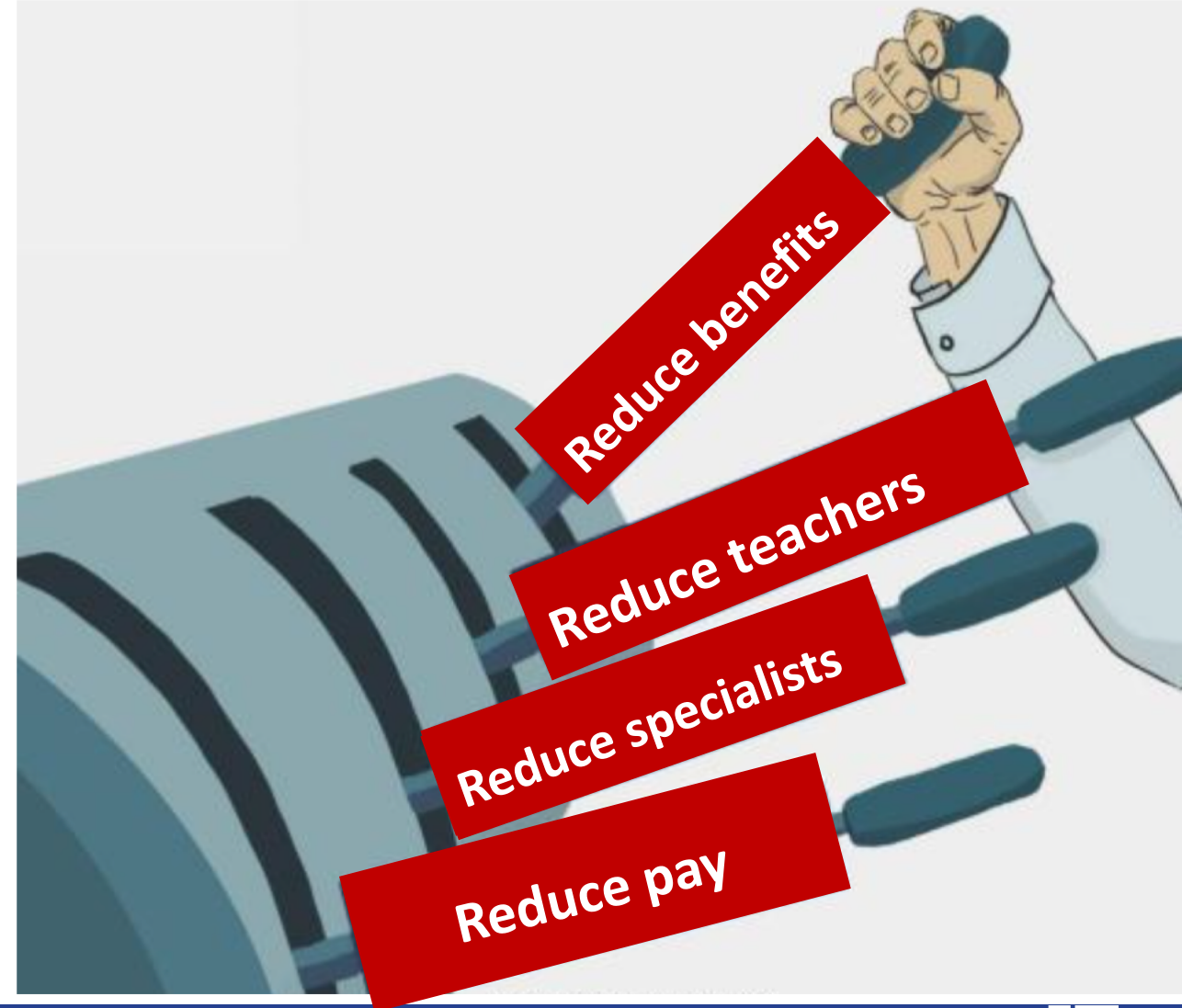
Source: Chalkbeat/AP survey of fall enrollment in 33 states <https://www.chalkbeat.org/2020/12/22/22193775/states-public-school-enrollment-decline-covid>

\*[https://ofm.wa.gov/sites/default/files/public/budget/statebudget/highlights/budget21/Proposed\\_2021-23\\_Budget\\_and\\_Policy\\_Highlights.pdf](https://ofm.wa.gov/sites/default/files/public/budget/statebudget/highlights/budget21/Proposed_2021-23_Budget_and_Policy_Highlights.pdf)



# How do districts react when losing funding due to enrollment decline?\*

- Many delay making budget changes (depleting reserves).
- Most resist closing schools even as declines persist.
- Many make disproportionate cuts to one area or another of their budget, pulling different levers in attempts to address financial strain.
- Less common: a few districts adjust their budgets proportionately.



\*In 2017, Roza examined spending data from districts >20,000 with and without sequential years of enrollment decline. A powerpoint covering the analysis and findings available upon request.

Meanwhile districts are called to address **LEARNING LOSS**.  
That means, many districts are facing both:

- Enrollment losses
- State revenue declines

Loss of some state revenue (e.g. with lower enrollment)



New revenue to address learning loss / remediation

- Federal aid for learning loss ~\$1,100 pp
- Targeted state \$ for remediation

But magnitudes will vary:

All while:

- Some students recovering faster academically.
- Others falling further behind.

Few systems have clear data on which students have what level of loss.

**Plano ISD** - \$13.5M (= \$257pp) + \$22.4M (= \$425pp)

**El Paso ISD** - \$14.7M (= \$303pp) + \$94.6M (= \$1,711pp)

Sources:  
<https://www.elpasotimes.com/story/news/2021/01/05/school-enrollment-drops-may-signal-funding-cuts-el-paso-schools/4078382001/>  
<https://abc13.com/school-funding-attendance-texas-schools-education-agency/8867116/>  
<https://public.tableau.com/views/HR133ESSERStimulusAllocations/54BESSERLEAEstimates?%3AshowVizHome=n&%3Aembed=y#2>



## Consider different \$1000 pp investments to address learning loss:

Lots of considerations:

A. Pay for 4 months of Covid testing (all students/staff 2x week).

May help reopen,  
but doesn't tackle  
learning loss

B. Reduce class size by 2 for all students for two years.

What happens when funds  
run out?

C. Add a month of school for all students.

Do all students need the  
same thing?

D. Fund two years of high-dosage tutoring for 1/2 of students.

Can be customized.  
Will kids participate?

E. Deliver \$1000pp to schools to meet student needs.

Permits innovation but also  
uneven response



Will districts be able to restructure budgets for fewer students while ALSO investing differently to address learning loss?

We're asking a lot of districts and there is no playbook for this moment

District responses will likely reflect a continuum of different decision-making approaches:

Delay (Denial)  
Wait and see,  
No change

Reactionary,  
Incremental,  
Crisis-based

Deliberate,  
Strategic,  
Longer-term thinking



# Q & A

*Note: Q&A is off the record unless otherwise stated*

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